

Local Equity Fund

Fund Factsheet | 31st March 2023



Fund Objective

This fund aims to provide capital growth and create wealth over the long term by investing mainly in listed local equities. The fund is high risk and targets investors with a high risk appetite and a long term investment horizon.

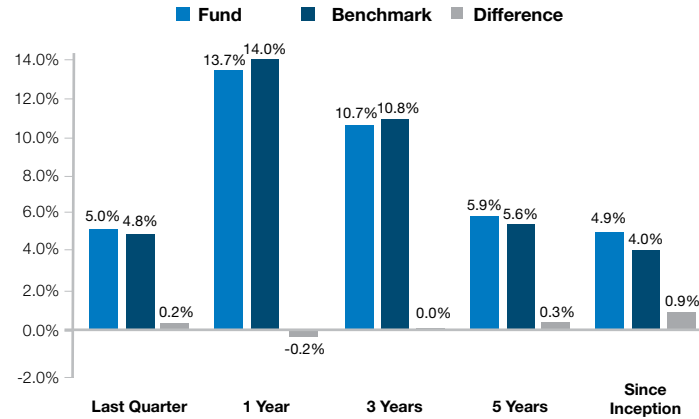
Strategy

The Bifm Local Equity Fund invests predominantly in listed local equities, with leeway to invest in offshore equities and convertible bonds up to a limit of 20% and 10% respectively.

Why Choose This Fund?

The fund is appropriate for investors with an appetite for high risk and tolerance for periods of high volatility who wish to generate capital growth over the long term period.

Performance



Performance Review

The Bifm Local Equity Fund returned 4.95% over the quarter, outperforming the benchmark return of 4.79% by 0.17%. The local equity market began the year on a positive note with 15 of the 23 listed stocks increasing in price over the quarter. Five stocks recorded a flat performance and only three stocks declined in price over the period. The strong performance was supported by robust growth in earnings across most of the sectors. Global equity markets also began the year with gains across most regions, however, investor concerns emerged over the health of the global banking system. Over the 12-month period, the Fund returned 13.74% underperforming the benchmark return of 13.99% performance by 0.25%.

Quarterly Commentary

The local equity market began the year on a positive note with 15 of the 23 listed stocks increasing in price over the quarter. Five stocks recorded a flat performance and only three stocks declined in price over the period. The strong performance was supported by robust growth in earnings across most of the sectors. CA Sales was the best-performing stock over the quarter, appreciating by 19.67%. Other notable movers over the quarter were Chobe (17.19%), BTCL (11.69%) and ABSA (8.53%). Over the twelve months, the local equity market posted strong gains. FNBB appreciated by 35.77%, StanChart appreciated by 62.19% and CA Sales appreciated by 38.36%.

The local equity market continued to post positive returns over the first quarter of 2023, marking the third consecutive quarter of positive returns for the DCI index. Fundamentals continue to improve within the local market as businesses benefit from improving macroeconomic conditions. Local GDP increased by 5.9% y-o-y over the fourth quarter of 2022 led by the mining sector. The business expectations survey carried out by the Bank of Botswana results showed that local firms are more optimistic about business conditions as compared to the previous quarter.

Despite the positive fundamental performance of the listed equities, we note that these companies will continue to face some challenges brought on by the high level of inflation. Local inflation, while showing signs of slowing down, continued to be elevated over the period closing the quarter at 9.9%, well above the Bank of Botswana's target range of 3-6%. Persistent high levels of inflation will mean higher expenses for local firms and reduced profitability. Local firms also face higher costs of funding and tighter access to credit. Most sectors posted gains during the quarter. The information technology sector was the largest gainer followed by the Consumer Discretionary and Communication services sector. The energy sector was the biggest loser over the quarter as commodity prices fell over the period. The financial services sector also declined over the quarter amidst the collapse of the US regional bank Silicon Valley Bank and larger concerns over the health of the global banking system.

From a regional perspective, the Eurozone region was the strongest performer, followed by the US and UK regions. Eurozone shares experienced strong gains in the quarter despite the negative fallout experienced in the banking sector following the collapse of Credit Suisse. The European Central Bank raised interest rates by 50 basis points in both February and March. US stocks also gained over the quarter. The US Federal Reserve (Fed) raised rates twice over the quarter, and data indicated that inflation remains elevated but is cooling, leading to expectations the end of the hiking cycle is near.

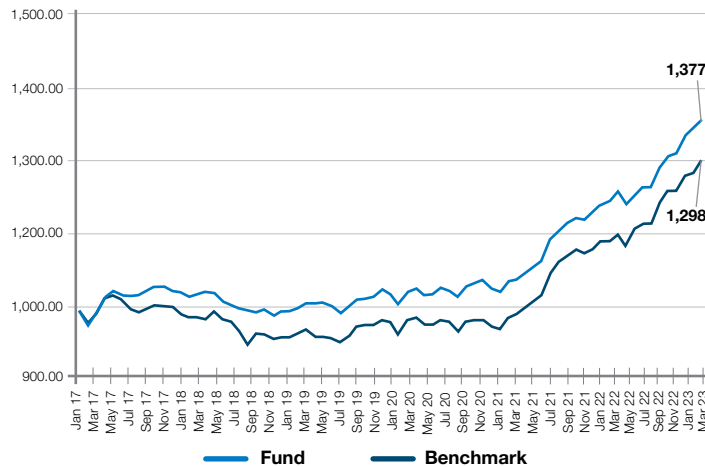
Market Outlook

Local Real GDP grew by 5.9% in Q1 2023, a slight slowdown from the 6.0% growth registered in the same quarter the previous year. Headline inflation gradually declined over the quarter. In January, inflation decreased to 9.3% from 12.4%, mainly due to a 3.6% decrease in the Transport group index. In February, inflation further dropped to 9.1% before rising to 9.9% in March as international oil prices resurged and led to increases in retail pump prices.

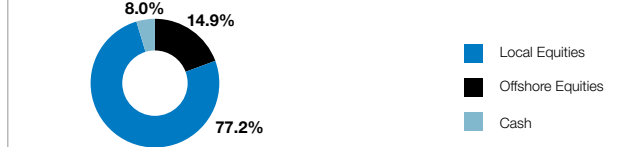
The Bank of Botswana (BoB) left the Monetary Policy Rate (MoPR) unchanged at 2.65% in February. This was mainly aimed at supporting the ongoing economic recovery, as the BoB expects that the economy will operate below full capacity in the short to medium-term therefore not generating any demand-driven inflationary pressure.

Total Expenditure Ratio (T.E.R.): 2.99%

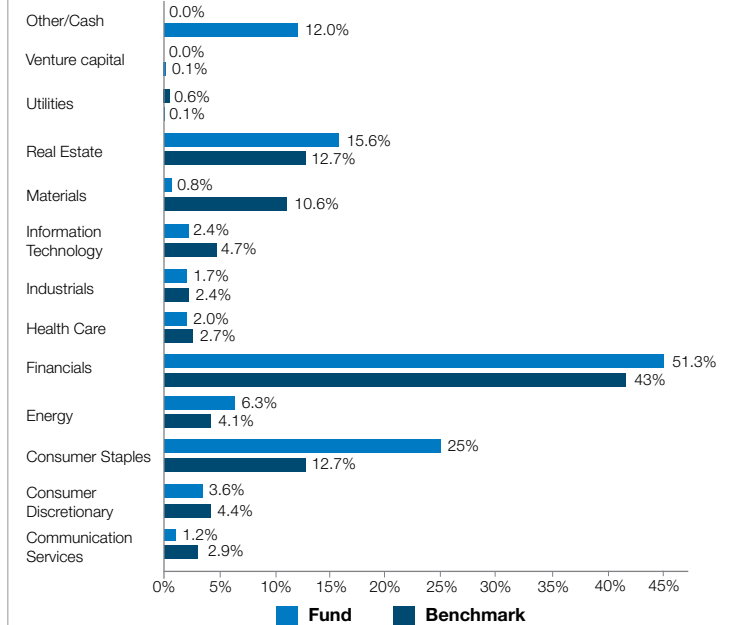
Cumulative Returns (BWP)



Asset Allocation



Sector Allocation



Quick Facts

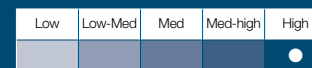
Fund Information

Portfolio Manager: Bifm Investments Team
 Launch Date: Jan 2017
 Minimum Investment: P 1000 lump sum
 P 200 debit order
 Fund Size: BWP18,970,816.22

Fees

Initial Fund Fee: 5%
 Annual Management Fee: 2%
 Fees are shown excluding VAT

Risk Profile



Income Distribution

Income Distribution Frequency:
 Semi-Annual Jun, Dec

Contact Details

Trustees and Custodians
 Stanbic Bank Botswana
 Private Bag 00168
 Gaborone

Physical Address

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